**Scotiabank.**

GLOBAL ECONOMICS

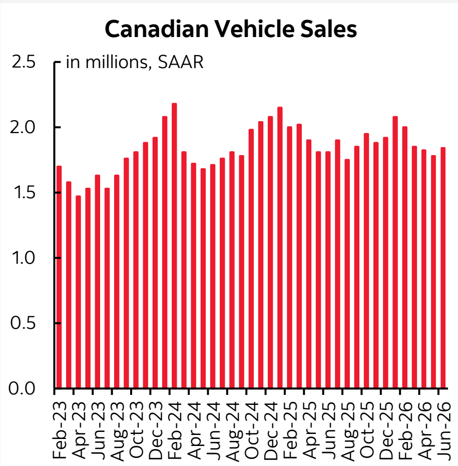
## DAILY POINTS

July 3, 2026 @ *7:55 EST*

### Contributors

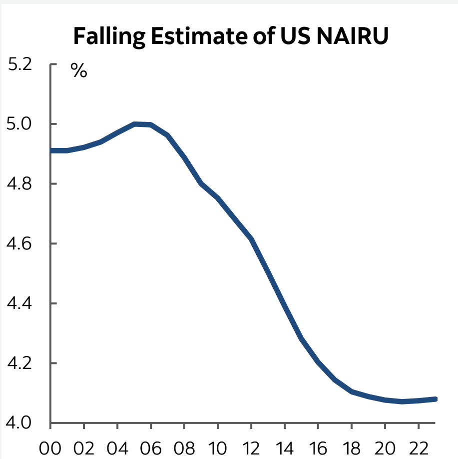
**Derek Holt**
VP & Head of Capital Markets Economics
Scotiabank Economics
416.863.7707
derek.holt@scotiabank.com

**Chart 1**




Sources: Scotiabank Economics, DesRosiers Automotive Consultants Inc.

**Chart 2**




Sources: Scotiabank Economics, Organisation for Economic Co-operation and Development.

**On Deck for Friday, July 3rd**

| Country | Date | Time | Indicator | Period | BNS | Consensus | Latest |
|---|---|---|---|---|---|---|---|
| | | | No Scheduled Indicators | | | | |

**KEY POINTS:**

- **Dollar softens, equities higher as weak US jobs reduce Fed hike risk**
- **Hiking because of a lower UR would be folly for the Fed**
- **Canada is getting it done on megaprojects**
- **US markets shut ahead of holiday**
- **No calendar-based risk to end the week**

It's a very light end to the week because of light global developments and with the US bond and equity markets shut today ahead of their July 4th holiday. Gilts and EGBs are cheaper by 2-3bps across maturities and markets while Canada's curve is flat. Oil is little changed. US and Canadian equity futures are slightly positive while European cash markets are mixed with London lower, Paris flat, and gains elsewhere. Overnight Asian equity markets rallied partly on reduced risk of near-term Fed tightening post payrolls. The dollar is broadly softer against most majors but flat to the yen and CAD.

There were no overnight releases or major developments and there is nothing material on tap for the rest of the day. Late yesterday's update for Canadian vehicle sales posted an approximate 3% m/m SA gain in June (chart 1).

### THE FOLLY OF TIGHTENING FED POLICY BECAUSE OF A LOWER UR

There is little to no aftermath to yesterday's US job market readings that landed close to my expectations for nonfarm payrolls and the unemployment rate (recap **here**). OIS pricing for the September meeting is holding at about 15bps, down from the full quarter point hike previously priced at the peak and still too high in my view. The dollar is weakening again this morning against most major crosses except CAD.

FOMC officials often look to the unemployment rate as an indication of how they are achieving the full employment half of their dual mandate. A lower unemployment rate—all else equal—could be a relatively more hawkish signal than a higher one. Some use this as rationale to tighten policy if the unemployment rate dips too low.

Except they shouldn't do so now and for two reasons.

First, the 4.2% unemployment rate isn't necessarily tight. The OECD's estimate for the equilibrium rate of unemployment in the US pre-dates tighter immigration policy but rounds up to 4.1% and the CBO's fresher measure of the short-term equilibrium rate is similar at 4.2%. As chart 2 shows, the OECD's estimate moved steadily lower over time and could well be lower now. In turn, this resurrects debate over exactly what is the equilibrium rate, the short answer being we don't know, and we'll only know once we've crossed it. The FOMC should be having the same debate over where the equilibrium rate sits as it has had several times in its past rather than jumping to conclusions.

Second, while yesterday's drop in the UR to 4.2% matched my estimate, it was an illusory indication of health in the US job market. The only reason it fell is that the size of the labour force experienced a more disastrous decline (-720k m/m) than the almost as disastrous drop in employment (-507k m/m) within the household survey from which the UR is derived. It's silly to suggest that policy should tighten when both numbers are in a tailspin but the labour force is shrinking faster than jobs. And I mean tailspin. On a year-to-date basis, the household survey is showing 1.73 million lost jobs and a labour force that is smaller by 2.1 million folks. Again, it's possible that the equilibrium rate of unemployment is falling partly because of tighter immigration policy.

## MEGAPROJECTS — THIS IS FAST, FOR CANADA!

While it still faces plenty of hurdles—including whether it lands on the preferred list of major projects with a decision by October 1st—a new west coast pipeline and capacity increases to the existing Trans Mountain pipeline offer significant export potential to Asian markets. The 1 million bpd new proposed pipeline and the 300kbpd expansion of the Trans Mountain pipeline to 1.19 mbpd for a combined capacity increase of 1.3 mbpd should be welcomed by all Canadians. At present prices for heavy crude using the Western Canada Select proxy it would be about US$25 billion of added oil exports per year. More information is available in the Alberta government's **proposal** including a map in the appendix that shows the new proposed routes as well as the PMO's releases **here** and **here** with the latter being a link to the agreements with the BC government on other major projects.

None of this will impact the near-term. It's not market moving stuff in terms of what the BoC is going to do tomorrow, or by year-end. These are projects that will take years to approve, build and come to fruition, but they are a welcome start after ten years of watching resource riches flow elsewhere to the US, Putin, possibly Venezuela now, and elsewhere while Canada naively kept its resource riches in the ground. By comparison to Canada's past, it's feasible that the country is moving from a dithering, glacial pace of securing new investments toward something more in keeping with the needs of our times.

| Fixed Income | Government Yield Curves (%): | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2-YEAR | | | 5-YEAR | | | 10-YEAR | | | 30-YEAR | | |
| | Last | 1-day | 1-wk | Last | 1-day | 1-wk | Last | 1-day | 1-wk | Last | 1-day | 1-wk |
| U.S. | 4.14 | 4.14 | 4.09 | 4.23 | 4.23 | 4.13 | 4.48 | 4.49 | 4.37 | 4.99 | 4.99 | 4.87 |
| CANADA | 2.75 | 2.76 | 2.74 | 3.05 | 3.06 | 3.01 | 3.44 | 3.44 | 3.38 | 3.85 | 3.85 | 3.79 |
| GERMANY | 2.53 | 2.50 | 2.52 | 2.64 | 2.61 | 2.59 | 2.93 | 2.90 | 2.85 | 3.51 | 3.49 | 3.41 |
| JAPAN | 1.39 | 1.39 | 1.41 | 1.94 | 1.94 | 1.88 | 2.79 | 2.79 | 2.62 | 4.05 | 4.04 | 3.83 |
| U.K. | 4.14 | 4.12 | 4.13 | 4.32 | 4.30 | 4.28 | 4.80 | 4.78 | 4.73 | 5.53 | 5.51 | 5.45 |
| | Spreads vs. U.S. (bps): | | | | | | | | | | | |
| CANADA | -139 | -138 | -135 | -118 | -117 | -112 | -104 | -104 | -99 | -114 | -113 | -107 |
| GERMANY | -161 | -164 | -158 | -159 | -162 | -154 | -155 | -158 | -152 | -148 | -150 | -146 |
| JAPAN | -274 | -275 | -268 | -229 | -229 | -225 | -170 | -170 | -175 | -93 | -95 | -104 |
| U.K. | 0 | -2 | 3 | 9 | 7 | 15 | 31 | 29 | 36 | 55 | 53 | 58 |

| Equities | Level | | % change: | | | |
|---|---|---|---|---|---|---|
| | Last | Change | 1 Day | 1-wk | 1-mo | 1-yr |
| S&P/TSX | 34967 | 109.7 | 0.3 | 0.7 | 0.5 | 29.3 |
| Dow 30 | 52900 | 594.8 | 1.1 | 1.9 | 4.0 | 18.0 |
| S&P 500 | 7483 | 0.0 | 0.0 | 1.7 | 1.3 | 19.2 |
| Nasdaq | 25833 | -207.4 | -0.8 | 1.9 | 0.5 | 25.4 |
| DAX | 25668 | 86.8 | 0.3 | 4.0 | 3.5 | 7.2 |
| FTSE | 10617 | -35.5 | -0.3 | 1.0 | 2.8 | 20.3 |
| Nikkei | 69744 | 1010.9 | 1.5 | 0.6 | 4.7 | 75.2 |
| Hang Seng | 23350 | 295.0 | 1.3 | 1.2 | -8.9 | -3.0 |
| CAC | 8472 | -2.6 | -0.0 | 1.0 | 3.9 | 9.3 |
| **Commodities** | Level | | % change: | | | |
| WTI Crude | 68.39 | -0.30 | -0.4 | -1.2 | -28.8 | 2.1 |
| Natural Gas | 3.25 | 0.05 | 1.6 | 0.5 | 1.1 | -4.7 |
| Gold | 4179.97 | 57.62 | 1.4 | 2.2 | -5.7 | 25.7 |
| Silver | #VALUE! | #VALUE! | ###### | #VALUE! | ###### | #VALUE! |
| CRB Index | 353.03 | -0.83 | -0.2 | -0.8 | -6.2 | 17.7 |
| **Currencies** | Level | | % change: | | | |
| USDCAD | 1.4197 | 0.0015 | 0.1 | 0.0 | 2.2 | 4.5 |
| EURUSD | 1.1448 | 0.0016 | 0.1 | 0.6 | -1.3 | -2.6 |
| USDJPY | 161.14 | 0.0300 | 0.0 | -0.4 | 0.7 | 11.2 |
| AUDUSD | 0.6939 | 0.0017 | 0.2 | 0.6 | -2.7 | 5.6 |
| GBPUSD | 1.3356 | 0.0010 | 0.1 | 1.2 | -0.5 | -2.2 |
| USDCHF | 0.8028 | -0.0008 | -0.1 | -0.9 | 1.4 | 1.0 |

| Central Banks | |
|---|---|
| **Current Rate** | |
| Canada - BoC | 2.25 |
| US - Fed | 3.75 |
| England - BoE | 3.75 |
| Euro zone - ECB | 2.40 |
| Japan - BoJ | 1.00 |
| Mexico - Banxico | 6.50 |
| Australia - RBA | 4.35 |
| New Zealand - RBNZ | 2.25 |
| **Next Meeting Date** | |
| Canada - BoC | Jul 15, 2026 |
| US - Fed | Jul 29, 2026 |
| England - BoE | Jul 30, 2026 |
| Euro zone - ECB | Jul 23, 2026 |
| Japan - BoJ | Jul 31, 2026 |
| Mexico - Banxico | Aug 06, 2026 |
| Australia - RBA | Aug 11, 2026 |
| New Zealand - RBNZ | Jul 07, 2026 |